

Hand tools do not qualify for the manufacturing machinery and equipment exemption. However, pneumatic hand tools or electric powered hand tools used primarily in manufacturing or assembling tangible personal property for wholesale or retail sale or lease can qualify. See 86 Ill. Adm. Code 130.330. (This is a GIL.)

September 26, 2006

Dear Xxxxx:

This letter is in response to your letter dated July 12, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

A gentleman from your office has informed a client of ours that they should not charge sales tax on any air-powered tools or their attachments, provided the same are used in a manufacturing process.

At issue are hand-held air-powered routers, drills, sanders, and screw guns; along with router bits, drill bits, sandpaper, and screw tips. These items are obviously used in the manufacturing process (cabinet production). It is my understanding that this gentleman is saying that these are not 'hand tools', but instead are 'equipment' since they are being powered by an outside power source.

Please advise as to your opinion on this matter.

## **DEPARTMENT'S RESPONSE**

A sales tax exemption is available for manufacturing machinery and equipment used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330.

Hand tools do not qualify for the exemption. However, pneumatic hand tools or electric powered hand tools used primarily in manufacturing or assembling tangible personal property for wholesale or retail sale or lease can qualify for the exemption. Air-powered routers, drills, sanders, and screw guns can qualify for the exemption. Router bits, drill bits, sand paper, and screw tips can also qualify as long as they are incorporated into manufacturing machinery and equipment that is exempt under the regulation. For further examples of machinery and equipment that qualify for the exemption, see the Department's letter ST-91-0754.

If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote  
Associate Counsel

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